# SASKATCHEWAN MUNICIPAL

# AUDIT

# GUIDELINES

**Saskatchewan Municipal Affairs, Culture and Housing**
**September, 1999**

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102-04237/

# I. INTRODUCTION

These guidelines have been prepared to assist municipal councils, administrators, clerks and auditors in carrying out their roles and responsibilities related to the conduct of municipal audits. This document is not intended to be, nor should it be, used as a substitute for referring to *The Rural Municipality Act, 1989 (RMA)* or *The Urban Municipality Act, 1984 (UMA)* and other relevant legislation.

This document consists of five parts. Following this introduction, Section II provides an overview of the council's role in the financial management of the municipality. Section III outlines the duties and responsibilities of a municipal administrator, including a checklist that may be used by administrators for proper record keeping and audit preparation.

Section IV deals with the roles and responsibilities of the municipal auditor. This includes a discussion of an auditor's qualifications and appointment, a description of the scope and objectives of an audit, and general guidelines that auditors may use in developing their audit program. The section concludes with a brief discussion on the use of management letters.

Section V, Legal/Statutory Requirements, provides a summary of the provisions in the RMA and the UMA that relate to the financial matters of municipalities.

**These Guidelines are not intended to be absolute direction that auditors or municipalities must follow, but rather to assist those parties in the development of an audit program.**

If you would like further information regarding the legislation or these Guidelines you may contact the Advisory (Management) Services Unit of Saskatchewan Municipal Affairs, Culture and Housing (MACH). Staff of the Grants Administration and Provincial-Municipal Relations Branch are also available to provide assistance on questions related to municipal financial reporting and provincial policies respecting municipal accounting.

## II. COUNCIL'S RESPONSIBILITIES

The council of a municipality is ultimately responsible for the adequacy of financial controls established and in place within the municipality. In fact, council is an integral part of the control system, particularly in a municipality that has only one employee in the administrative office.

The control system consists of:

a) council - the body elected to look after the public interest and provide stewardship for the public funds.

b) administration - appointed by council to collect and expend the public funds necessary to carry out council's public service programs.

Council must ensure that adequate time is provided for the administration staff to adequately perform the required accounting functions. This is especially true in smaller, part-time offices. Lack of sufficient time often results in the auditor doing additional accounting work at year end which will increase the audit fee.

Council is accountable to the public which elected it. The administration is responsible to council. Duties in the accounting control system are clearly segregated. For example, it is the council that directs that payments are made but it is the administrative staff that carries out the action required to make the payment.

Council is responsible to ensure proper segregation of duties exists in municipal offices where there are at least two employees. For example, it is common for one employee to receipt all of the cash while the other prepares and makes all bank deposits. In the larger municipalities, internal audit departments exist to monitor accounting controls.

When handling public funds it is necessary to have internal control to assure the public that funds are not being misused or misappropriated. Council acts as the only internal control "check" of the administrator's financial function in a one-person office, ensuring that financial transactions are carried out in accordance with the law and as directed by the appropriate authorities.

The municipal auditor cannot be relied upon to perform the internal control function. Internal control is a function of the "management" (council and administration).

The auditor must obtain a sufficient understanding of internal control in order to plan the audit. Internal control checks may be performed in the course of the financial audit and weaknesses that are detected may be commented upon by the auditor and reported in a management letter. However, the auditor is not required to verify the effectiveness of internal control if he/she believes it would not be efficient to do so. Therefore, council cannot rely on the auditor to identify all internal control weaknesses. If council wants an internal control report, a separate engagement with the auditor for that purpose would be required.

Auditors doing the standard financial audit may also find evidence of fraud or defalcation; however, fraud detection is not something that auditors are required to do as part of the financial statement audit (see also "Management Letters"). Internal control is a primary responsibility of the council and reliance for detection cannot be placed upon the external auditors.

Councils and administrators should meet with the municipal auditor before the auditor is engaged. The initial meeting would lay out the ground rules for the audit, i.e., what the auditor expects of council and what council expects of the auditor. This forms the basis for negotiation of the final terms of the audit engagement, closing any "expectation gaps" which might exist. When terms are agreeable, an engagement letter should be drafted for presentation to council.

It is not necessary for council as a whole to meet with the auditor. This function is often delegated either to a specific "audit committee" or another standing committee of council such as the "Finance and Administration committee". One of the most important duties often given to this committee is the responsibility for ensuring that accounting or reporting discrepancies pointed out by the auditor in the management letter are followed up and corrected (see also "Management Letters").

If an auditor does not prepare an engagement letter, the council should request one prior to any actual service being performed. The estimated audit fee, based upon budgeted audit time, should also be discussed prior to commencement of actual audit work. This ensures that the audit cost will not exceed the limits considered to be reasonable.

The engagement of an auditor is similar to any other contractual obligation and once the engagement has been agreed to by both parties, it is expected that both will fulfil all obligations in a satisfactory manner. Council should then ensure that administrative staff co-operate with the auditor and provide all books and records for examination during the conduct of the audit.

MACH also has a role with regard to internal control. Department staff have the right to examine the books and internal control mechanisms of the municipality to ensure that Department standards for record keeping, reporting and internal control are being maintained.

## III. ADMINISTRATOR'S RESPONSIBILITIES

The specific legislative duties and responsibilities of an administrator (clerk/treasurer) are described in the appropriate provincial statutes and summarized in the "LEGAL/ STATUTORY REQUIREMENTS" section of this document.

A key difference in legislative requirements between rural and urban municipalities was removed in 1997. Section 70 of the RMA requires that the administrator prepare the financial statements in a form supplied by the Minister of MACH and that the auditor verify the statements. Section 65 of the UMA now requires that the treasurer/administrator prepare the financial statements in a form approved by the Minister. Previously, the *auditor* of an urban municipality was required to complete the financial statements.

In addition to legislative requirements, the administrator must ensure that the accounting system maintains and backs up proper and adequate books of original entry with adequate internal controls to protect the assets of the municipality. The extent to which books are kept, including the number and type of ledgers and subsidiary ledgers, will vary from municipality to municipality.

In the case of many of the smaller urban municipalities where clerks do not have the experience, training and/or qualifications to maintain all of the required accounting records, the auditor may perform an accounting role by preparing the books and performing other finance-related work for these communities. However, this practise should be kept to a minimum. Having the auditor perform bookkeeping for the municipality puts the auditor in the awkward position of auditing his/her own work. This is inappropriate from an auditing perspective and for the municipality as it weakens the reliability of the auditor's opinion on the financial position of the municipality.

Administrators are expected to complete and balance all books and records to the end of the year. Auditors may be willing to assist in balancing certain records (such as the tax roll) or "finishing off" other records but the auditor should not be relied upon for bookkeeping services. If auditors perform bookkeeping services, higher fees will result. MACH encourages auditors to segregate bookkeeping fees from actual audit fees.

If books and records are not complete and balanced when presented to the auditor, the auditor should bring this to the attention of the administrator and council. Depending on the extent of the work necessary to complete and balance the records, the auditor should discuss the matter with council before conducting the audit.

The Clerk/Administrator is generally responsible for completing the following tasks:

- All records and books of account should be completed, posted, balanced and made available for examination by the auditor. Supporting data should be grouped and matched to provide for easy examination.

- Payroll records should be completed for the fiscal period and required T-4 forms and any other forms should be completed and filed with the appropriate government departments or agencies.

- A general ledger trial balance should be completed to determine whether adjusting entries are required. Adjustments should be journalized and posted so that a working trial balance can be completed prior to the audit.

- Other working papers should be prepared by the administrator for checking and verification by the auditor. These other working papers should include but are not limited to the following:

    a) cash and bank reconciliations; bank statements and passbooks
    b) accounts receivable list, with supporting documentation
    c) accounts payable list, with supporting documentation
    d) listing of inventories, e.g., gravel, culverts
    e) investments list, with supporting documentation
    f) fixed assets list, with details of acquisitions and disposals
    g) list of debentures or other debt instruments (notes, security agreements) including due but unpaid debentures or coupons
    h) liabilities list
    i) analysis of reserves/allowances
    j) analysis of surplus/deficit account
    k) analysis of equity in fixed assets
    l) analysis of revenue items by source
    m) analysis of expenditure items by category
    n) analysis of capital sources and uses
    o) vouchers for payments made during the year
    p) a copy of the approved budget for the year under review
    q) statements from the Land Titles office re: deposit account
    r) applications for government grants and related data and correspondence

s) information on requisitions of funds from SAMA
t) letter from School Division(s) indicating school mill rate(s) to be levied
u) statements of liability with other taxing authorities (including a copy of any council resolution to cancel taxes)
v) annual assessment return and certificate of confirmation
w) minutes of council meetings held and bylaws passed during the year
x) orders, approvals, decisions, etc. of the Saskatchewan Municipal Board
y) titles for all properties owned by the municipality, with details of acquisitions and disposals (in particular, additions to and sale of Tax Title Property)

- A draft copy of the financial statements should be prepared, prior to the auditor's arrival, utilizing the information obtained from the working papers.

- Any other function or task that may be mutually agreed upon by the auditor and administrator.

## IV. AUDITOR'S RESPONSIBILITIES

### Auditor Qualifications and Appointment

Section 72 of the UMA and section 68 of the RMA state that every auditor of a municipality must be a person or partnership certified by the Board of Examiners or a person who is a member, or a partnership whose partners are members, of a society or association of accountants approved by the Board of Examiners and constituted by an Act.

At present, the Board of Examiners' policy is that persons or partnerships who are members of the Canadian Institute of Chartered Accountants (CICA) have blanket authority to conduct municipal audits. Authority to conduct audits has been extended to individual members of other societies and associations of accountants on an application basis only.

The council of every municipality is required to appoint an auditor. The appointment can be for a definite period of time or it can be indefinite. Regardless, a council resolution is required before council can dispense with the services of an auditor. However, the resolution does not take effect until 30 days after notice of dismissal is mailed to the auditor.

The Minister of MACH may require that council appoint someone else as auditor if, in his or her opinion, the auditor has not satisfactorily discharged his or her duties.

Prior to the commencement of an audit, the auditor should preferably visit the municipal office and meet with the principal municipal officers to review and centre upon changes that have occurred during the year. These would include but are not limited to the following:

- Key personnel/organizational changes
- Boundary changes/new or discontinued locations or divisions and the operations and accounting functions performed there
- Major changes in operating assets
- New or discontinued services
- Changes in financing or line of credit
- Changes in work force, union agreements, benefit plans
- Current problem areas which may have accounting/auditing implications

- Any matters noted during preliminary procedures prior to the meeting with the principal officers

- Arrangements for assistance by administrative personnel and access to municipal facilities and records

- Reporting dates for draft financial statements and any possible audit committee/ council meeting requirements.

The auditor should then determine budgeted hours for the engagement and prepare an engagement letter to the local government outlining the services to be performed. The purpose of the letter is to clarify for the council and the administrative personnel exactly what work will be performed during the audit.

In estimating a fee, the auditor should segregate the budgeted fees for any specialized work or accounting and the regular audit fees so that the local government can clearly see how the total charges are derived.

## Scope of the Audit

The objective of an audit of a municipality is to express an opinion as to whether the financial statement is presented fairly in accordance with generally accepted accounting principles. In the case of Saskatchewan municipalities, the accounting principles employed do not totally follow the CICA Handbook's definition of "generally accepted accounting principles". The principles used, however, are considered appropriate by MACH and municipalities are required to use them.

If an auditor feels that *any* accounting policy results in a financial statement that materially misleads the readers of the statement, he or she should express a reservation of opinion in his or her report.

Every municipal auditor in the Province of Saskatchewan should follow sections 5000 and 6000 of the CICA Handbook, to every extent possible, in conducting the audit. The auditing standards set out in the CICA Handbook are to be followed in all cases.

Generally speaking, it is not the Department's intention to set down definite and stringent rules respecting every step in the audit process. It will provide guidelines to follow, however, the extent of the examination and verification is largely a judgement decision the auditor will have to make.

The decision will be based on professional training and experience and on the conditions that prevail in the municipality. For example, an audit would be considerably more complex for a city than it would be for a rural municipality or a small village.

Ultimately, the auditor must be satisfied that entries have been properly recorded and that transactions that were omitted have been discovered. Any discrepancy judged by the auditor to be of a material nature must be reported and explained in a management letter.

It is strongly suggested that, wherever possible, books be examined and the audit performed in the office of the municipality. If this is not possible or practical, the auditor must ensure that books are returned promptly to the treasurer in person or through a traceable medium (e.g. registered mail).

The treasurer is ultimately responsible for the safekeeping of the books and should not be put in a position where he/she jeopardizes this duty by allowing the books to remain in the auditor's office for an extended period of time.

## Examination and Verification of Records

*This is intended to be a general guideline that auditors may use in developing their audit program. It is not intended to be absolute direction that auditors must follow. The auditor is required to follow generally accepted auditing standards. Accordingly, the auditor will design an appropriate audit program based upon professional judgement.*

*This may also be used by administrators as a "checklist" for proper record keeping and audit preparation.*

### Cash and Securities

- Check that all types of official receipts have been entered in the cash book (tax, general and utility); check for correct distribution.
- Ensure numbered receipts are in use and that there is proper control of same. (Note continuity of receipt numbers.)
- Discounts and rebates allowed on tax payments must be in accordance with the authorizing bylaw or legislation.
- Check and ensure that deposits to bank accounts are being made in accordance with legislation, on a proper form of deposit and intact. Check that the deposit form is completed properly and investigate cases of third-party cheques for which no receipt was issued. Note any lack of control in the management letter.
- Confirm deposits in transit.
- Follow through on returned items redeposited.
- Determine if the cash on hand was verified by the treasurer throughout the year; i.e. daily, weekly or at time of deposit.
- Verify cash on hand as at audit date. Determine if treasurer handles cash of other organizations or individuals.
- Verify that the investments and securities held by the municipality are accounted for.
- Confirm balances in the bank accounts with the financial institution(s) that the municipality conducts business with.

- Examine cancelled cheques, debentures and coupons, vouchers and invoices for validity and classification. Ensure that proper authority was given for disbursements, i.e. prior council resolution or bylaw, supported by vouchers. All cheques are to be numbered and accounted for. Ensure numeric control exists, and determine if any blank cheques are pre-signed. Note any lack of internal control in the management letter.

- Verify that contributions made by the employer and employees to pension plans, Employment Insurance Commission (EIC), Canada Pension Plan (CPP), income tax, group benefits, etc. are being correctly calculated and accounted for.

- Determine if sale and purchase of property is supported by resolution/bylaw, if agreements for sale are in place and that the proper accounting is done for tax title property vs. real estate. Price lists for assets for re-sale (particularly lots) should be in place.

- If a grant has been earned, ensure that application forms are being promptly submitted to the government agency concerned. Verify with issuing agency that the grant was paid or approved for payment.

- Ensure that Grants-in-Lieu (GIL) of Taxes are being applied for on any Government or Crown Corporation property which is exempt from taxation but eligible for such grants.

- Confirm that remittances to other taxing/requisitioning bodies are being made in accordance with the relevant statute. Verify that liability statements reflect these payments.

- Ensure that grants paid to third parties, on behalf of and at the request of the municipality, are reflected in revenues and expenditures.

**Assessment and Tax Roll**

- Try to determine and be reasonably assured that all properties are included in the assessment and tax roll.

- Verify that the assessments coincide with the Certificate of Confirmation (original and supplementary) for each category and for the total.

- If changes have been made to assessments, verify that they were properly approved. i.e. Board of Revision, Assessment Return, Assessment Appeals Committee or Court of Appeal.

- Check the calculations in the tax roll, ensuring that the mill rates used were authorized by resolution (according to the Budget) or statute (for school, hospital rate, etc.). Local improvement levies (frontage taxes) should be checked against the local improvement assessment roll and enabling bylaw. Other levies should be checked and authorization by bylaw confirmed.

- Ensure that all amounts required by legislation to be added to the tax roll are added as required. For example, subsection 214.1(11) and 243(3) of the RMA requires that unpaid fire extinguishing fees and custom work charges be added to the tax roll at the end of the fiscal year.

- Ascertain that the assessment and tax roll have been properly totalled and balanced. Check to see that the assessor's and treasurer's certificates re: mailing of assessment and tax notices are present.

- Check to see that changes in the tax roll were authorized by resolution/bylaw, done by way of general journal entry and properly distributed (e.g. cancellations, adjustments, addition of costs). Other adjustments made to the roll must have statutory authority (e.g. tax title property acquired, Workers' Compensation Board assessments).

- Check posting of receipts and general journal to the tax roll.

- Verify statutory and/or bylaw authority for and the proper calculation of penalties on taxes.

- Verify that outstanding balances at year-end for each category of taxes agree to the general ledger balances.

- Tax verification notices are to be sent, as required by legislation. Positive confirmation may be used, if deemed necessary.

- Verify that liability statements of the taxing/requisitioning bodies agree with the general ledger accounts and with cash receipts records.

**Utility Records**

- Verify that utility rates being charged have been properly authorized. In urban municipalities this shall be done by bylaw which shall be approved by the Saskatchewan Municipal Board (SMB). In rural municipalities a resolution is satisfactory and a bylaw is not required, neither is the approval of the SMB required.
- Ensure that the utility rates being charged match the subsidiary and general ledgers and that adjustments are being properly accounted and recorded.

- See also: "Cash & Securities" re: receipting, posting, numeric control of receipts, etc.

- Verify that utility deposits are in balance with the general ledger accounts and that they are being properly accounted and recorded.

- All utility operations in hamlets must be processed through the records of a rural municipality. Where hamlet utility operation is not being adequately processed, MACH should be notified to that effect.

**General Ledger and General Journal**

- Check opening balances from previous year's statement or trial balance.

- Check postings to the general ledger and subsidiary ledgers from cash receipts, cash payments and general journals.

- Determine if postings were made promptly during the year.

- Prove assets and liabilities to the extent possible (e.g. cash on hand by cash count; land inventories, especially tax title property, by examination of titles; overdraft liability by bank confirmation) and comment where documentation to enable verification is not available.

- Evaluate asset valuation allowances and recommend adjustment where deemed necessary.

- Check general ledger balances against the liability statements of other taxing/requisitioning bodies and subsidiary ledgers (tax roll, utility accounts, securities register, tax title property record).

- Ensure that the organized hamlet reserve memo account is in balance with the organized hamlet reserve general ledger account and that the accounting for the organized hamlet funds conforms to approved procedure.

**Minutes and Bylaws**

- Read the minutes of council meetings to determine that expenditures and other financial transactions (e.g. budget, Capital Trust Fund (CTF) withdrawals, land sales) have been properly authorized. Verify that minutes are properly signed, pages initialled and that a quorum existed at each meeting. Check for proper notice or waiver of notice for special meetings. Comment in the Management Letter if you believe a material error was committed.

- Read bylaws (which must be included within or attached to the minutes of the meeting at which third reading was given and carried) to assure yourself that the bylaws were properly adopted and were approved by the SMB (where necessary). Comment in the Management Letter if you believe a material error was committed.

- Particular attention should be given to bylaws re: long-term borrowing (resolution in the case of a withdrawal from the CTF) for SMB approval, proper accounting and establishment of repayment terms.

**Budget**

- Verify that a budget was adopted (including a five year capital works plan in urban municipalities) and compare it to actual results. Comment on any material differences.

- Verify that the budgeted mill rate was used in the tax roll.

- Changes to the budget made after its initial adoption should be investigated for proper authority. i.e. resolution or bylaw.

**Tax Enforcement Property Records and Securities (Debenture) Records**

- Verify that these records are being maintained properly and that the balances agree with the general ledger accounts.

**Other**

- Satisfy yourself that the accounting records are kept in a manner consistent with Generally Accepted Accounting Principles and the principles set down by MACH.

- Examine the surety bonds of all employees required to be bonded. Comment on any conditions not being adhered to.

- Examine the certificates of title on hand to ensure that they balance to the general ledger accounts and tax title property records.

- Review and follow up on the previous year's Management Letter.

- Examine insurance policies.

## Management Letters

Subsection 73(6) of the UMA and subsection 69(6) of the RMA require the auditor to report on any "negligence, irregularity or discrepancy" that he/she finds during the course of the audit. They must send the report to the Mayor/Reeve of the municipality and a copy to the Minister of MACH. While legislation requires the reporting of "any" problem, auditors are encouraged to use their professional judgement in determining the materiality of the items listed in the management letter.

During the examination of the municipal accounting records, the auditor may detect instances of error, fraud, theft or other misappropriation of funds. While the auditor's primary function is certainly not that of uncovering error and fraud, when a discovery is made, the auditor's reaction will depend upon his or her judgement of the importance of the discovery. In this regard, auditors should be guided by the CICA Handbook, General Auditing - Section 5135 "Auditor's Responsibility to Detect and Communicate Misstatements". In instances of suspected fraud by a municipal employee, the auditor must inform council and the Department. If council is suspected of fraud or error, the Department is to be informed.

While the auditor's report is used to express an opinion on the fairness of presentation of financial data and the notes are used to disclose the accounting principles and policies used in the municipality, the management letter should be used to explain any reservations in opinion or variances from the prescribed accounting principles and policies. The auditor should quantify, where possible, the effect of these variances on the statements and the extent to which the statements may be misleading. The management letter may be used to comment on the operational effectiveness of the accounting systems employed in the municipality.

Management letters should be submitted to the Mayor/Reeve and to the Minister at the same time as the annual financial statements are submitted. The auditor should follow-up on the action taken by the municipality as a result of the letter, at the latest, during the next period's audit. The Department will follow-up on the letter when necessary by contacting both the auditor and the municipality, as soon as possible after receipt of the letter.

Auditors are encouraged to use an informal approach in addition to the formality of a management letter. Written and oral communication with both the client and the Department could go a long way to resolving problems even before they occur. A "proactive" approach is preferred over the traditional "reactive" policy.

## V. LEGAL/STATUTORY REQUIREMENTS

The following is a summary of the provisions of the UMA and the RMA which relate to financial matters of municipalities. This summary is intended to give a general overview of the legislation only -- the statutes themselves should be consulted for strict interpretation and application of the law.

| Statute Section Reference | |
|---|---|
| **COUNCIL BENEFITS & REMUNERATION** | |
| 39 & 40 UMA 15(5) & 29 RMA | These sections outline the criteria for the payment of remuneration and the provision of benefits to council members and to hamlet board members. (Note: There are no hamlet boards in urban municipalities) Urban municipalities may set limits, terms or conditions regarding council member expenses under 39(4.1). |
| **COUNCIL QUORUMS AND MEETING LOCATION** | |
| 42 UMA 32 & 34 RMA | Meetings of council must be held in the municipality (except in the case of Resort Villages and Rural Municipalities) and a majority of the council must be present before business can take place. |
| **CONFLICT OF INTEREST** | |
| 31 to 33 UMA 45 RMA | This section requires council members to declare any conflict of interest (pecuniary interest) and leave the meeting while the matter is under discussion. |
| **BONDING** | |
| 58 UMA 55 RMA | Council is required to pay for the bonding of the treasurer/ administrator, every employee who handles cash and any other employee that it considers necessary, to an amount of not less than $10,000 per employee. |

## DUTIES OF THE ADMINISTRATOR/CLERK (TREASURER)

64 UMA
45(3)&
63 RMA

The minutes of council meetings must contain:
- All resolutions and actions of council (including the original of each bylaw);
- The names of the council members present at the meeting;
- Recorded votes (where requested by a council member);
- Declarations of pecuniary interest;
- The signature of the presiding council member on the last page (the presiding member should initial the bottom of each page and the clerk should also sign the last page).

65(1)(a)
UMA
63(1)(f)
(k) RMA

The treasurer must collect and receive all monies paid to the municipality and issue official receipts for same. (Except for payments made by electronic transfer of funds or through a third party that collects money on behalf of the municipality.)

65(1)
(b)(c)
UMA
63(1)(k)
RMA

The treasurer is responsible for the safekeeping of all monies, including the deposit of same in a bank or credit union. Deposits are to be made, in villages: when cash collections accumulate to $1,000; in towns: when cash collections accumulate to $3,000; in cities: when cash collections accumulate to the level determined by council; and, in rural municipalities: when cash collections accumulate to $10,000. In towns and villages, a bylaw may be passed to set a higher deposit limit, to a maximum of the amount of the treasurer's bond. Deposits need not be made more than once a day but must be made at least once a month.

65(1)
(d)(e)
UMA
63(1)
(i)(j)
RMA

All payments of funds by the municipality must be authorized by council resolution or bylaw and made by cheque signed by the treasurer and countersigned by the mayor/reeve or deputy mayor/ deputy reeve. (Note: In rural municipalities, the assistant administrator may sign if authorized by council or in the absence of the administrator.)

65(1)
(f)
UMA
63(1)(l)
RMA

The treasurer must keep and make use of books of record and account that the Minister or council may require. At a minimum, this should include journals for cash receipts and cash payments, and subsidiary records such as a tax roll, a securities register, tax enforcement records and a utility ledger. Where practicable, a general ledger and a general journal should be maintained.

65(1)(h) UMA 63(1)(n) RMA — The treasurer must produce the municipality's books etc., when called for by the auditor, the council, the Minister or another competent authority.

65(2) UMA — Council may authorize the establishment of bank accounts for various purposes on which cheques may be drawn and signed by an official(s). (Note: There are no similar provisions in the RMA)

66 UMA — Council may authorize the combining of the offices of clerk, treasurer and/or assessor under the title "Clerk". (Note: There is no similar provision in the RMA)

65(1)(g.1) UMA 70(1) RMA — The administrator shall prepare before June 1 (urban) or May 15 (rural) in each year, a financial statement for the municipality for the preceding financial year. The statement is to be completed in the form approved by the Minister (urban) or supplied by the Minister (rural).

**APPOINTMENT OF AN AUDITOR**

72 UMA 68 RMA — Refer to the "Auditor's Responsibilities Section".

**AUDITOR EXAMINATION & DUTIES**

73(1) UMA 69(1) RMA — The auditor shall examine, at least once each year, the books of the municipality. He/She is also to examine the books of any organization which is established by the council and which administers public funds. The key phrase here is "established by the council". The Board must be established by bylaw. Boards that council participates in or has representation on (Chambers of Commerce, Regional Libraries, Health Districts, etc.) need not be audited by the municipal auditor as a requirement of this subsection. (Note: See also Section 199 of the UMA regarding audit of utilities)

73(2) UMA 69(2) RMA — The books of inter-municipal boards established by council are to be audited by the auditor of the municipality which contributes the most money towards the operation of the board.

73(4) UMA 69(4) RMA — The auditor has free access to all books, records, accounts, etc. of the municipality or its board(s).

73(6) UMA 69(6) RMA — The auditor must report to the reeve/mayor and the Minister if he/she finds any negligence, irregularity, or discrepancy in the books and records of the municipality. (Note: Refer to the "Management Letters" portion of the "Auditor's Responsibilities" section)

73(7) UMA 70(2) RMA — The auditor shall on or before July 1 (urban) or June 1 (rural) of each year, complete the audit of the records of the municipality and verify the financial statement prepared by the treasurer/administrator.

73(8) UMA 70(2) RMA — The auditor of an urban municipality must send copies of the completed financial statement to the mayor of the municipality and to the Minister by July 1. On or before June 1 in each year, the auditor of a rural municipality must send a copy of the completed financial statement, certified to be correct, to the reeve of the rural municipality and to the Minister.

74 UMA 71 RMA — The auditor shall send any number of verification notices to persons who owe the urban municipality money as indicated in the municipality's records, that he or she considers adequate. In rural municipalities, verification notices must be sent to every person who appears by the tax roll to be indebted to the rural municipality.

73.1 UMA 70(4) RMA — On or before September 1 in each year:

- **in urban municipalities**, either the financial statement or a synopsis of the financial statement is to be published in a newspaper circulating in the municipality **or** a synopsis is to be mailed to each person whose name appears on the municipality's last revised assessment roll and a notice must be published in a newspaper circulating in the municipality that the financial statement is open for inspection by any person.
- **in rural municipalities**, the administrator shall mail a copy of the financial statement and report, or a synopsis of it, to every person assessed on the last revised assessment roll of the municipality **or** the council shall authorize the statement to be published in a newspaper that is circulated in the municipality.

## CITY PUBLIC ACCOUNTS

73.2 UMA

The council of a city shall, on or before September 1 in each year, cause to be prepared and presented to the council a statement of the municipal public accounts for the immediately preceding year.

The municipal public accounts shall show the revenues, expenditures, assets and liabilities of the city as at December 31; shall be open for inspection by the public and shall be made available for distribution.

## POWERS AND DUTIES OF COUNCILS

79 UMA 168 RMA

Council must exercise its authority by either resolution or bylaw. Every resolution and bylaw passed must be included in the minutes of a council meeting. No action can be taken without council authorization.

84 UMA 173 RMA

This section gives council the general power to add expenses relating to work completed by the municipality in default, to the taxes on the land on which the work was done. Note: Other sections of the UMA give specific power to add amounts to the tax roll, i.e. Subsections 124(5) and 125(1) and (5) re: building nuisances; 126(9) re: building standards; 130(5) re: untidy lands or buildings; 132(5) re: junked vehicles; 134(3) re: excavations; 141(1)(j) re: waste removal rates; 195(5) re: utility rates; and 291 re: special assessments (frontage taxes). Similar provisions exist in the RMA. i.e. Sections 215, 243, 248, 249, 250 and 251.

85 UMA 178 RMA

Every bylaw must receive three separate readings and third reading constitutes adoption. A bylaw can receive three readings at one meeting, but only by unanimous consent of the council members present.

In order to amend or repeal a bylaw, a bylaw must be adopted. In order to rescind or reconsider a resolution, a resolution must be passed.

After receiving third reading, a bylaw must be sealed with the municipal seal and signed by the clerk/administrator and by the council member who presided at the meeting at which third reading was given. The presiding officer is usually the mayor/reeve or the deputy mayor/deputy reeve.

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| 111 UMA | Where a Business Improvement District (BID) has been established, council can authorize a mill rate to be applied to business assessments within the BID. This levy can be collected in the same manner as business taxes. (Note: Similar provision does not exist in the RMA) |
| 178(2) UMA 252 & 253 RMA | This provision allows a council to grant by resolution or bylaw any amount of money to any person or organization for any reason. |

**FINANCE**

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| 199 UMA | The treasurer is responsible for submission to council of an annual financial report for each public utility operated by the municipality and the municipal auditor is responsible for examining the books of these utilities. |
| | **Fiscal Year** |
| 200 UMA 256 RMA | The financial year of a municipality is the calendar year. |
| | **Service Fees** |
| 201.1 UMA 256.1 RMA | Council may, by bylaw, set fees in connection with any services provided by the municipality and set out the conditions of service. |
| | **Funds** |
| 201 UMA | A council must have a general operating fund and a capital fund and may establish any or all of the other funds specified in the Act. (See Sections 226-233 UMA) |

**BUDGETS**

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| | **Preparation/Adoption** |
| 202 UMA 257 & 258 RMA | Council must by resolution prepare and adopt a budget and establish a mill rate in each year. The budget must take into account revenues and expenditures for the year including debt repayments, utility deficits, the operating deficit for the immediately preceding year, ordinary operating and capital expenditures, statutory requirements, allowances for tax collections, discounts, abatements and uncollectible taxes and all sources of revenue. Any subsequent changes to the budget must also be accomplished by council resolution. |

**Capital Works Plan**

203 UMA Each year council must prepare a budget outlining an estimate of capital expenditures and sources of financing for each of the next five years (including the current year - a five year budget is the minimum required). (NOTE: Not required in rural municipalities)

**Sask. Municipal Board (SMB) Approval**

204 UMA
261 RMA In some cases, the SMB may require the submission of a municipal budget for its approval.

**Application and Use of Capital Proceeds**

205 UMA Monies borrowed or otherwise held for capital purposes are not to be used to pay for current expenses.

206 UMA Proceeds from the sale of lands or buildings (other than tax title property) are to be held on capital account. Proceeds may be invested or used for capital purposes. If invested, the interest earned may be used for general operating purposes.

## TEMPORARY DEBT FOR CURRENT OPERATING EXPENDITURES

207 UMA This section gives the council of an urban municipality the authority to borrow money by bylaw for current operations pending receipt of the tax levy. The limit on the amount that can be borrowed is the total of the municipal tax levy plus unconditional federal and provincial grants for the current year.

262 RMA This section gives the council of a rural municipality the authority to borrow money by resolution or bylaw for current operations. The limit placed on the amount that can be borrowed is an amount which does not exceed the municipal taxes levied for the preceding year.

208 UMA
264 RMA Council may, by resolution, borrow against surplus monies that have been invested.

**Internal Debt Obligations**

209 UMA — Surplus monies held in other funds may be borrowed for use in the general operating fund but must be repaid to the fund from which they were borrowed.

## LONG TERM DEBT

265 RMA — Council may, by resolution, create a debt not repayable in the current year. The debt must be repayable within the three subsequent years with no debentures being issued and the debt must not exceed the amount of municipal taxes levied in the preceding year.

210 UMA
266 RMA — Council may, by bylaw, incur long-term debt (i.e. not repayable in the current year) for any purpose. It may issue debentures or promissory notes as security for the debt. A bylaw passed under this section must be approved by the SMB.

211 UMA — The amount of long-term debt payable by a municipality at any one time is limited by the SMB.

212.1 UMA — An urban municipality with a population greater than 30,000 may, by bylaw, incur long-term debt without SMB authorization so long as a copy of the bylaw is sent to SMB and the maximum amount authorized pursuant to Section 211 is not exceeded.

221 UMA
277 RMA — The treasurer shall maintain a register of all securities issued by the municipality. Section 277 of the RMA applies to debentures only.

## SINKING FUNDS

226 to
231 UMA — These sections deal with sinking funds, which exist in only two cities at present.

## RESERVE FUNDS

232 UMA — Allows council to establish reserve funds for operating purposes, by resolution. Allows council to establish reserve funds, by bylaw, for capital purposes. Creation of and expenditures from capital reserve funds must be approved by the SMB in the case of municipalities of 500 population or less.

Please also refer to Ssection 196 UMA re: reserves in utility services.

## CAPITAL TRUST FUND

233 UMA
281 RMA

Allows council to establish, by bylaw, a Capital Trust Fund (CTF) for the purpose of purchasing or acquiring capital assets. The fund may be set up in total using accumulated surplus, from an annual appropriation from accumulated surplus or from an annual transfer from the current year's surplus.

The SMB must approve any bylaw creating, reducing, enlarging or eliminating a Capital Trust Fund. Use of the fund for making purchases and acquisitions must also be approved by the SMB.

## CONFIRMATION OF ASSESSMENT ROLL

273 UMA
327 & 312 RMA

The assessor must submit to the Saskatchewan Assessment Management Agency (SAMA), each year before July 1 (August 1 in RMs), an assessment return outlining any changes made to the municipality's assessment from the previous year. If assessments are added to the roll after submission of the return, the assessor is required to make a supplementary return. In either case, SAMA must confirm the assessment, by provision of a certificate to the assessor, before taxes can be legally recovered pursuant to the municipal acts or *The Tax Enforcement Act*. Tax notices may be mailed prior to SAMA's confirmation at the discretion of the administrator.

## EXEMPTIONS FROM TAXATION

275(2), 275(3) & 283-285 UMA
315, 331(3), 331(4), 334, 335, 336 & 386 RMA

These provisions relate to adjustments that may or shall be made to the tax roll for taxes that have been: exempted by bylaw [Subsections 275(2) and (3) UMA; Subsections 331(3) and (4) RMA]; adjusted due to an addition or deletion of a business or building assessment from the tax roll (Section 283 UMA; Sections 334, 335, 336 RMA); adjusted due to a decision of the Assessment Appeals Committee of the SMB or Court of Appeal (Section 284 UMA; Section 315 RMA) or adjusted by council resolution for compromise or abatement (Section 285 UMA; Section 386 RMA).

275.1 UMA
331.1 RMA

Where a council exempts or partially exempts any land, improvements or business from taxation in accordance with Subsections 275(2) or 275(3) UMA or Subsections 331(3) or 331(4) RMA, the municipality must raise an amount equal to the amount which would have been levied on behalf of the other taxing authority. This requirement may be removed upon agreement of the other taxing authority, plus any municipality that also levies rates on behalf of the other taxing authority.

## APPORTIONMENT OF FEES AND GRANTS-IN-LIEU

286,287 288 UMA 393,394 RMA — These sections provide for sharing of trailer/mobile home licence fees and certain grants-in-lieu of taxes with school authorities in the same proportion as regular taxes are shared. (Note: Only grants-in-lieu of taxes that are calculated on the basis of assessment times (x) mill rate need be shared)

## STATEMENT OF ACCOUNT RE: SCHOOL TAXES

292 UMA 392 RMA — The treasurer must prepare a statement of account of the municipality with each school division on whose behalf it collects taxes, before January 15 in each year. This statement gives details of the municipality's liability for school taxes.

## BUSINESS TAX CONVERSION TO LICENCE FEES

293 UMA 340 RMA — This section provides for the conversion of a business tax to a licence fee, by bylaw of council. The licence fee must remain on the tax roll, is calculated on the same basis as business tax (mill rate times [x] assessment) and is shareable with the school authority(ies).

## COLLECTION OF TAXES

### Discounts and Penalties

294 to 296 UMA 360 to 362 RMA — Discount rates for urban municipalities may be set by bylaw. The *Rural Municipality Act, 1989* specifies discount rates for rural municipalities which can be increased by bylaw. Penalties for both urban and rural municipalities may be set by bylaw.

### Prorating Tax Payments

296(6) UMA 366 RMA — Provides for partial payments of taxes to be prorated among the taxing authorities, rather than allocated entirely to just one of these jurisdictions.

**Other Taxes**

309 to 313 UMA
337 & 338 RMA

These sections provide council with the authority to charge other types of taxes on land or improvements. The types of taxes in this category are: privy taxes (Section 309 UMA), dust control (Section 311 UMA), spur tracks (Section 312 UMA) and encroachments on streets or sidewalks (Section 313 UMA), amusement tax (Section 337 RMA or Section 310 UMA) and sanitation services (Section 338 RMA).